



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: November 11, 2008

TO: Mayor and Councilmembers

FROM: Airport Department
Finance Department

SUBJECT: Introduction Of Ordinance To Approve Two Leases To Implement Financing Structure For New And Historic Airline Terminal, Related Facilities And Rental Car Quick Turn Around Facility

RECOMMENDATION:

That Council introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Approving a Facilities Lease by and Between the Santa Barbara Financing Authority, a Joint Exercise of Powers Agency, as Lessor, and the City of Santa Barbara, a Municipal Corporation, as Lessee, and a Site Lease by and Between the City of Santa Barbara, a Municipal Corporation, as Lessor, and the Santa Barbara Financing Authority, as Lessee, for Property Located at the City of Santa Barbara Municipal Airport, for Concurrent Terms Commencing no Sooner than December 18, 2008, and Ending no Later than August 1, 2045.

DISCUSSION:

Financing of the improvements to the Santa Barbara Municipal Airport, including the new and historic airline terminal, related facilities and a rental car quick turn around facility, will be made available through a combination of funding sources. These sources include approximately \$57.5 million in long-term debt issued through lease revenue bonds; Federal Aviation Administration, Airport Improvement Program grant funds; pay-as-you-go Passenger Facility Charge and Customer Facility Charge revenue; and Airport cash reserves.

The Santa Barbara Financing Authority ("Authority") will issue the lease revenue bonds. The Authority is a joint exercise of powers agency formed in 2002 between the City of Santa Barbara and the City of Santa Barbara Redevelopment Agency as a means to finance projects such as this. The financing is structured through a ground lease of a portion of the Airport property to the Authority. The Authority, in turn, leases the property back to the City to construct the new terminal and other facilities and thereafter to operate the Airport. The Airport (acting through the City) makes lease payments to the Authority that are equivalent to the debt service on the lease revenue bonds. Both leases have concurrent terms that commence on or about December 18, 2008, the effective date of the ordinance, and terminate on August 1, 2045, the date of bond maturity.

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A more detailed report on the financing structure and project status will be made to the Council Finance Committee on November 11, 2008 and to the full Council on November 18, 2008. On November 25, 2008, the Council will be asked to adopt the resolutions needed to approve the bond financing documents and hold the public hearing necessary for issuance of the bonds.

Since the two leases have terms that are longer than five years, in accordance with Santa Barbara Charter § 521, the leases must be approved by ordinance of the City Council. Because an ordinance does not become effective for thirty days after its adoption, the airport leases will not become effective until December 18, 2008. Staff, along with the City's financial advisers, is striving to have the lease revenue bond documentation and construction documents in place so that the City is in a position to sell the bonds when the market conditions are optimal. To do this, it is necessary that the Council introduce and adopt the Ordinance prior to approval of the bond documents. However, adoption of the Ordinance will not obligate the City to approve the bond documents or sell bonds. The Ordinance's approval of the financing leases is conditioned on the Council's subsequent approval of the bond resolutions.

BUDGET/FINANCIAL INFORMATION:

A detailed discussion of the Airline terminal project and financing will be presented to Council on November 18, 2008.

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Karen Ramsdell, Airport Director

SUBMITTED BY: Karen Ramsdell, Airport Director

APPROVED BY: City Administrator's Office